

FINANCIAL AND PROPERTY SETTLEMENT

Agreement and supplement signed at Seoul September 11, 1948

Ratified by Korea September 18, 1948

Korean ratification notified to the United States September 20, 1948

Entered into force September 20, 1948

Article VII superseded by agreement of June 13, 1949¹

Superseded, in part, by article II of agreement of July 9, 1966²

Article IX modified by agreement of June 14 and July 5, 1971³

62 Stat. 3422; Treaties and Other
International Acts Series 1851

INITIAL FINANCIAL AND PROPERTY SETTLEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF KOREA

PREAMBLE

The Government of the United States of America and the Government of the Republic of Korea, in view of the note of August 9, 1948⁴ from the President of the Republic of Korea to the Commanding General, United States Army Forces in Korea, the note of August 11, 1948,⁴ from the Commanding General, United States Army Forces in Korea to the President of the Government of the Republic of Korea, and in view of the desirability of concluding an initial financial and property settlement between the Government of the United States of America and the Government of the Republic of Korea, the undersigned, being duly authorized by their respective Governments for that purpose, agree as follows:

ARTICLE I

The Government of the United States of America hereby transfers to the Government of the Republic of Korea all right, title, and interest held by the United States of America to all property classified as national property in the land and buildings ledgers, and map books of the district tax offices and the land and buildings registers of the courts, together with all improvements on and additions to such property, all cash and bank deposits of the

¹ 9 UST 509; TIAS 4026.

² 17 UST 1677; TIAS 6127.

³ 22 UST; TIAS 7169.

⁴ Not printed.

United States Army Military Government in Korea and of the South Korean Interim Government, all equipment, supplies, and other property held by the departments, offices and agencies of the United States Army Military Government in Korea and of the South Korean Interim Government, including all relief and rehabilitation supplies heretofore furnished to the Korean economy by the Government of the United States of America. Military property of the Government of the United States of America furnished to the Korean Constabulary, Police, or Coast Guard will be transferred to the Government of the Republic of Korea from time to time as authority for such transfer is given by the Government of the United States of America to its representative in Korea. Such transfers of military property shall be accomplished through the Office of the Foreign Liquidation Commissioner of the United States Department of State and in accordance with separate agreements to be entered into between said Foreign Liquidation Commissioner and the Government of the Republic of Korea. The Government of the Republic of Korea agrees that property retained for use by or under the control of the United States Army Forces in Korea during the period of troop withdrawal shall be made available for the use of the Government of the United States of America and maintained without charge to the Government of the United States of America during the period of troop withdrawal. The Government of the Republic of Korea agrees that properties specified in Exhibit A shall be made available for the temporary use of the Government of the United States under free leaseholds, and further agrees that it will bear all costs in Korean currency for the repair and maintenance of such properties. The Government of the Republic of Korea hereby assumes and relieves the Government of the United States of America of all liability for the South Korean Interim Government overdraft account at the Bank of Chosun, commitments under loans guaranteed by the United States Army Military Government in Korea, its agencies and instrumentalities, and by the South Korean Interim Government, and all other obligations incurred by the United States Army Military Government in Korea and by the South Korean Interim Government, including present and future claims of every kind and description.

This section shall be effective until an agreement comes into effect between the Government of the United States of America and the Government of the Republic of Korea on aid to the Government of the Republic of Korea. To the extent that relief and rehabilitation supplies still on hand or hereafter received are transferred to the Government of the Republic of Korea by the Government of the United States of America, such transfer shall be made in a progressive and orderly manner, and the Government of the Republic of Korea shall assume responsibility for the receipt, allocation, distribution and accounting for American-financed supplies. Net won proceeds and accounts receivable derived from the sales of relief and rehabilitation supplies by the

United States Military Government in Korea or by the South Korean Interim Government, shall be turned over to the Government of the Republic of Korea. The Government of the Republic of Korea agrees to deposit these proceeds in a special account in its name in the Bank of Chosun. The Government of the Republic of Korea further agrees to deposit in this special account the proceeds of all sales of relief and rehabilitation supplies which have been or may be transferred by the Government of the United States of America to the Government of the Republic of Korea. Disbursement from this special account will be made only for such purposes as are agreed upon between the senior representative of the Government of the United States of America and the Government of the Republic of Korea.

Net proceeds in Korean currency and accounts receivable derived from sales of certain property declared surplus to the Office of the Foreign Liquidation Commissioner of the United States Department of State and heretofore furnished to the Korean economy are hereby transferred to the Government of the Republic of Korea.

ARTICLE II

The Government of the United States of America agrees to effect settlement for all imports from Japan for the Korean economy delivered between September 9, 1945, and the effective date of this agreement, less the value of Korean exports shipped to Japan during such period.

ARTICLE III

The Government of the United States of America hereby transfers from its custody to the custody of the Government of the Republic of Korea any property in Korea which may have been owned or controlled, directly or indirectly, in whole or in part, on or since August 9, 1945, by Germany; or by any German nationals, corporations, societies, associations, or any other German organization. The Government of the Republic of Korea agrees to take all necessary measures to facilitate such transfers of German assets in Korea as may be determined by the United States of America in consultation with the Republic of France and the United Kingdom of Great Britain and Northern Ireland.

ARTICLE IV

The Government of the United States of America hereby transfers to the Government of the Republic of Korea the Korean Foreign Exchange Bank shares presently owned and held by the United States Army Military Government in Korea, together with all the assets and liabilities of said Bank. The Government of the United States of America hereby transfers to the Government of the Republic of Korea the net residual balances of foreign exchange now standing to the credit of the South Korean Interim Government in said Bank, subject to allocation and use only after consultation with and concur-

rence of the senior representative in Korea of the Government of the United States of America. Pending further agreement between the Government of the United States of America and the Government of the Republic of Korea, existing foreign exchange controls shall be retained by the Government of the Republic of Korea.

ARTICLE V

The Government of the Republic of Korea recognizes and ratifies such disposition of former Japanese public and private property vested under Ordinance Number 33 of the United States Army Military Government in Korea as has already been effected by the United States Army Military Government in Korea. Except for the reservations in respect to the acquisition and use of property by the Government of the United States of America contained in Articles I and IX of this agreement, the remaining vested but unsold property, the net unexpended proceeds from rentals and sales of vested property, together with all accounts receivable and sales contracts, shall be transferred to the Government of the Republic of Korea in the following way:

(a) All cash, bank deposits or other liquid assets are hereby transferred as of the effective date of this agreement;

(b) All other vested property that is to be transferred, together with all available inventories, maps, deeds, or other evidences of ownership, will be turned over progressively to the Government of the Republic of Korea, supported by balance sheets, operating statements, and other financial records relating to vested property, as rapidly as an orderly transfer can be effected. The Government of the Republic of Korea agrees to establish a separate governmental agency to receive and administer for the benefit of the Korean people the property, heretofore vested under Ordinance No. 33, which is or will be transferred to the Government of the Republic of Korea under the provisions of this Article.

The Government of the Republic of Korea will respect, preserve and protect the rights and interests, direct or indirect, of nationals of countries at war with Japan, in former Japanese property in Korea acquired by the Government of the Republic of Korea in accordance with this Article provided such rights and interests were legally acquired by *bona fide* transfer prior to the effective date of Ordinance No. 33.

The Government of the Republic of Korea hereby relieves the United States of America of all liability, including all current and future claims arising out of the vesting, administration and disposal of the property referred to in this Article.

ARTICLE VI

Property in Korea of United Nations nationals, which was seized, confiscated or sequestered by the Imperial Japanese Government under its wartime regulations, together with property in Korea of other persons which

was treated by the Imperial Japanese Government as enemy property, and which is transferred to the Government of the Republic of Korea under the provisions of Article V, will be protected and preserved by the Government of the Republic of Korea pending its return to its rightful owners, provided such owners request the return of the property within a reasonable period. The Government of the Republic of Korea undertakes to return all such identifiable property, if not otherwise provided for by mutual agreement between the owner and the Government of the Republic of Korea. Continuing the policy initiated by the United States Army Military Government in Korea, the Government of the Republic of Korea undertakes to compensate the owners for damage or loss to such property during the period that it was not under the control of such owners, to the same degree as compensation is paid by the Government of the Republic of Korea for loss or damage to Korean property seized, confiscated or sequestered for war purposes by the Imperial Japanese Government, its agencies, instrumentalities, or its nationals. The Government of the Republic of Korea hereby relieves the Government of the United States of America from liability for any claim arising out of the administration of property referred to in this Article prior to the effective date of this agreement.

ARTICLE VII ⁵

The Government of the United States of America and the Government of the Republic of Korea agree to collaborate in arranging a satisfactory settlement of any unpaid debt owing to the Soviet authorities in Korea for power furnished for the Korean economy from September 9, 1945, to the effective date of this Agreement. The Government of the United States of America further agrees to liquidate this debt, whenever a fair value of the unpaid debt has been agreed upon by the representatives of the Soviet and United States authorities.

ARTICLE VIII

The Government of the United States of America, through the United States Army Military Government in Korea, has reimbursed Korea at a fair dollar value for all goods, services and facilities provided for and to the United States Army Forces in Korea from the Korean economy for the period from September 9, 1945, through June 30, 1948, inclusive; and for all claims of every kind and description against the Government of the United States of America, its officials, employees, or agencies and instrumentalities, raised or which may be raised by the Government of the Republic of Korea, its nationals, or other individuals and organizations, as a result of the occupation of Korea by the United States Army Forces in Korea during such period.

⁵ Superseded by agreement of June 13, 1949 (9 UST 509; TIAS 4026).

The Government of the Republic of Korea agrees that this payment constitutes full, final and complete settlement for all goods and services used by or provided to the United States Army Forces in Korea during the aforementioned period, and for all claims of every kind and description against the Government of the United States of America, its officials, employees, or agencies and instrumentalities, raised or which may be raised by the Government of the Republic of Korea, its instrumentalities, nationals, or other individuals or organizations as a result of the occupation of Korea by the United States Army Forces for the period from September 9, 1945, through June 30, 1948. The Government of the Republic of Korea further discharges and agrees to save harmless, the Government of the United States of America, its officials, employees, or agencies and instrumentalities, its nationals or other individuals and organizations, from all claims of every kind and description arising as a result of the occupation of Korea by the United States Army Forces in Korea during the period prior to July 1, 1948. The Government of the Republic of Korea hereby recognizes and ratifies the agreement under which the abovementioned payment to Korea was effected.

The Government of the Republic of Korea also assumes and relieves the Government of the United States of America of all liability for funds used from the overdraft account at the Bank of Chosun entitled "United States Army Military Government in Korea Funding Account." The Government of the Republic of Korea agrees that the Commanding General, United States Army Forces in Korea shall continue to draw won from the overdraft account at the Bank of Chosun presently entitled "United States Army Military Government in Korea Funding Account No. 2" and the Government of the United States of America hereby agrees to pay to the Government of the Republic of Korea in dollars or other United States assets, the fair dollar value of all goods and services procured in the Korean economy with won drawn from such account.

ARTICLE IX⁶

a. In consideration for certain property heretofore furnished to the Korean economy by the Government of the United States of America through the Office of the Foreign Liquidation Commissioner of the United States Department of State and the United States Army Military Government in Korea, including the net proceeds in Korean currency arising from the sale of such property, the Government of the Republic of Korea agrees to pay to the Government of the United States of America in the manner provided in the terms of this Article, the fair value of said property, not to exceed the equivalent of \$25,000,000 as shown on the records of said Foreign Liquidation Commissioner, covering the transfer of such property to the United States Army Military Government in Korea. Interest shall accrue

⁶ For a supplement relating to art. IX, see p. 489. Art. IX modified by agreement of June 14 and July 5, 1971 (22 UST; TIAS 7169).

at the rate of 2-3/8 per centum per annum from July 1, 1948, on the unpaid balance of the total fair value of said property, and shall be due and payable in Korean currency on July 1, of each year, the first payment to be made on July 1, 1949.

b. At such times and in such amounts as shall be specified by the Government of the United States of America, the Government of the Republic of Korea shall pay in Korean currency all or part of the balance then due under the indebtedness set forth in this Article, including interest due and unpaid, if any, less any credits made for property as provided in paragraph *d* of this Article, and the Government of the United States of America shall credit the balance due under such indebtedness with the United States dollar equivalent of such currency. Any currency so received by the Government of the United States of America shall be used in accordance with the provisions set forth in paragraph *c* of this Article.

c. The Government of the United States of America and the Government of the Republic of Korea agree that the Korean currency to be received by the Government of the United States of America as provided in paragraph *b* of this Article, as well as the Korean currency to be received by the Government of the United States of America as interest provided in paragraph *a* of this Article, shall be expended in Korea and may be used for the payment of any or all expenditures in Korea of the Government of the United States of America, including expenditures for:

(1) Such educational programs as may be mutually agreed upon by the two Governments, and

(2) the acquisition of property located in Korea, either real or personal, tangible or intangible, including improvements to any property in which the Government of the United States of America has an interest. Such property shall include initially the property listed in the Supplement to this Agreement.

d. At the request of the Government of the United States of America, the Government of the Republic of Korea shall deliver title to such property as may, by mutual agreement, be acquired by the Government of the United States of America in accordance with the terms of this Article. Upon the delivery of title to such property by the Government of the Republic of Korea to the Government of the United States of America, the Government of the United States of America shall credit the account of the Government of the Republic of Korea under this Article with the agreed-upon fair-dollar value of such property.

e. Except as may be provided by special agreement between the two Governments, the Government of the United States of America shall not request the Government of the Republic of Korea to make payment in Korean currency or to deliver title to property located in Korea, as provided in paragraphs *b* and *d* of this Article, the combined total amount of which exceeds in any single fiscal year beginning July 1, the equivalent value of

\$5,000,000 plus interest due and payable as provided in paragraph *a* of this Article.

f. The won equivalent of the dollar obligations assumed by the Government of the Republic of Korea under the terms of this Agreement shall be calculated by mutual agreement between the Government of the Republic of Korea and the Government of the United States of America, such calculations to be made immediately prior to each payment. The won equivalent in any case shall be no less favorable to the Government of the United States of America than the conversion rate legally available to any third party at the time of each transaction.

ARTICLE X

The Government of the Republic of Korea hereby agrees that it will not permit the re-export or diversion of equipment, supplies and other property furnished to it by the Government of the United States of America under the terms of this Agreement unless such re-export or diversion is approved by a duly authorized representative of the Government of the United States of America.

ARTICLE XI

The Government of the Republic of Korea agrees to continue in full force and effect all existing laws, ordinances, public acts, and regulations of the United States Army Military Government in Korea and/or of the South Korean Interim Government until repealed or amended by the Government of the Republic of Korea.

ARTICLE XII

Pending negotiation of mutually satisfactory treaties of amity and commerce, it is agreed by the contracting parties that the rights and privileges now enjoyed by United Nations nationals and firms engaged in lawful pursuits in Korea shall be respected and affirmed.

ARTICLE XIII

Administrative control over the accounts, properties, and operating facilities transferred to the Government of the Republic of Korea under the terms of this Agreement shall be turned over in a progressive and orderly manner to the authorized officials of the Government of the Republic of Korea within 30 days from the effective date of this Agreement, or as rapidly as the Government of the Republic of Korea is prepared to assume such operations and responsibilities, except that administrative control over vested properties and over relief and rehabilitation supplies shall be turned over not later than 90 days from the effective date of this Agreement, or as rapidly as the Government of the Republic of Korea is prepared to assume such operations and responsibilities.

ARTICLE XIV

Until such time as the United States Army Forces in Korea are withdrawn from Korea, the Government of the United States of America and the Government of the Republic of Korea agree that they shall be bound by, and shall respect all agreements previously made between the United States Army Forces in Korea and the several Departments of the United States Army Military Government in Korea concerning the use of certain transportation, communication, and other facilities and services by the United States Army Forces in Korea.

The present Agreement shall become effective with the formal notification to the Government of the United States of America that the Korean National Assembly has consented to this Agreement.

Done in duplicate, in the English and Korean languages at Seoul, Korea, this 11th day of September 1948. The English and the Korean texts shall have equal force, but in the case of divergence, the English text shall prevail.

For the Government of the United States of America:

JOHN J. MUCCIO

For the Government of the Republic of Korea:

LEE, BUMSUK

T. S. CHANG

[SEAL]

SUPPLEMENT TO THE INITIAL FINANCIAL AND PROPERTY SETTLEMENT

This Agreement between the Government of the United States of America, hereinafter called "United States," and the Government of the Republic of Korea, hereinafter called "Korea" is supplemental to the "Initial Financial and Property Settlement," Article IX, this date, and covers the transfer of real property in return for surplus property furnished Korea.

Witnesseth:

Whereas, the "Initial Financial and Property Settlement" between Korea and the United States provides in Article IX that at the request of the United States, Korea shall deliver title to such property located in Korea in which the United States has an interest, and

Whereas, Korea has agreed in Section *d* of the Article of the Agreement above referred to, to make available property desired by the United States at prices to be agreed upon by the Governments, and

Whereas, the United States has already selected certain properties which it desires to receive under the terms of the Agreement referred to above,

Now, therefore, it is agreed:

1. That Korea transfer, on or about the sixtieth day from the effective date of this Agreement, to the United States, at prices to be specified in dollars and to be determined by three recognized appraisers, one of whom shall be nominated by Korea, one by the United States, and the Chairman by the two appraisers first chosen, properties including but not limited to the following:

- (A) Dependent House & Lot No. 10
1-39 Chong Dong
1,362 Pyung
- (B) Russian No. 1
1-39 Chong Dong
720 Pyung
- (C) Vacant lot west of present U.S. Consulate
1-9 Chong Dong
1,414 Pyung
- (D) Vacant lots south of present U.S. Consulate; part of the road now running beside the U.S. Consulate leading to the property of the Seoul Club 8-1, 8-3, 8-4, 8-5, 8-6, 8-7, 8-8, 8-9, 8-10, and 8-17 Chong Dong
535.40 Pyung
- (E) Triangular lot directly east of DH No. 10 and Russian No. 1, together with one warehouse, three houses and other buildings thereon
1-39 Chong Dong
Sawdai Moon Koo
1,675 Pyung
- (F) All of former Military Government Area #2, consisting of approximately 43 houses, miscellaneous other buildings, and the land on which situated. This is intended to include all property owned by the Siksang Bank in this area. All of 49-1 Song Hyun Dong, and all of 96, 97-2, 98, 99, 102, 103-1, 104-1 and 104-2 of Saksan Dong together with all buildings thereon. 9,915 Pyung, more or less.
- (G) Banto Hotel and adjacent parking lot to East
180-2 Ulchi-Ro
Chongno Koo
1,944 Pyung

In witness whereof the undersigned, duly authorized by their respective governments, have signed the present agreement in the English and Korean languages at Seoul, Korea, on the 11th day of September 1948.

The English and Korean texts shall have equal force, but in case of divergence, the English text shall prevail.

For the Government of the United States of America:

JOHN J. MUCCIO

For the Government of the Republic of Korea:

LEE, BUMSUK

T. S. CHANG

[SEAL]

EXHIBIT A

Properties to be made available by the Government of the Republic of Korea for the temporary use of the Government of the United States under free leaseholds, will include but will not be limited to the following:

- (A) Specified 51 houses and lots in the three military areas #1, #2 and #7.
- (B) DH #9, DH #109, DH #143, DH #218, DH #221, Billet #5, Billet #10 and Billet #11 in scattered areas.
- (C) Mitsui Building and lot opposite Banto Hotel.
- (D) OCI Information Center and lot (former Metropolitan Police building).
- (E) Special Troops area.
- (F) 216th Quartermaster concrete warehouse in area near South Gate.
- (G) 56 houses and lots in 7th Division area (Camp Sobingo).
- (H) 57 housing units in Capitol grounds area.
- (I) Billet #32 (Kookje Hotel) and Billet #24 (Sudo Hotel).
- (J) Billet #23 (Nai Ja Apartments) comprising three buildings.
- (K) Billet #38 (Plaza Hotel).
- (L) Yong Dong Po dependent housing area #1, consisting of 8 usable houses and 15 apartments.